

Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 EB-07 INT-05 L-03 /028 W

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R 021400Z FEB 76

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 5475

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EO 11652 NA

TAGS: BEXP EFIN YO

SUBJ: KOSOVO THERMO POWER PROJECT

REF: BELGRADE 0340

1. IN JANUARY 29 MEETING ATTENDED BY EMBASSY OFFICER, TOP EXECUTIVES OF RMHK KOSOVO AND INVEST-IMPORT RESISTED WESTINGHOUSE URGING TO SIGN EARLY LETTER OF INTENT. THEY CLAIMED PRIOR NEED TO ESTABLISH THAT CON

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TRACTUAL CONDITIONS WOULD MEET GOVERNMENT REQUIREMENTS AND, AS ANTICIPATED

REFTEL, SAID THEY WOULD SEND DELEGATION TO THE US TO DISCUSS BOTH COM

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MERCIALAND FINANCIAL TERMS. ARRIVAL OF GROUP POSTPONED UNTIL ABOUT FEBRUARY 8 SINCE YUGOSLAV COMMERCIAL BANKS JUST(JANUARY 30) COMPLETED FIANANCIAL ANALYSIS PREPARED BY KOSOVO KOMBINAT AND PREREGISTRATION WITH

NATIONAL BANK STILL NEEDED. GROUP WILL REQUEST APPOINTMENT WITH EXIMBANK

DURING ANTICIPATED 10-DAY TO TWO WEEKS' STAY.

2. DISCUSSING COMPETITIVE ASPECTS, YUGOSLAVS IN JANUARY 29 DISCUSSION STATED THAT FRENCH PROPOSAL REMAINS UNDER SERIOUS CONSIDERATION. FRENCH

APPARENTLY HAVE INCREASED FINANCING TO COVER TWO 300 MW UNITS WHICH WOULD

CONSIST OF CEM TURBOGENERATORS AND STEIN BOILERS, YUGOSLAVS ASSERTED THAT FRENCH "FIXED PRICE" AND FINANCING BETTER THAN US TERMS.

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WESTINGHOUSE BELIEVES THAT "FIXED PRICE" MEANS 12 PERCENT LIMIT ON

ESCALATION AS COMPARED TO UNLIMITED ESCALATION CLAUSE REQUESTED BY
US BIDDERS. IN REGARD TO FINANCING, WESTINGHOUSE HEARS FRENCH HAVE
OFFERED 7.5 PERCENT INTEREST, PAYMENT OF WHICH CAN BE DEFERRED
DURING CONSTRUCTION PERIOD. NEITHER EMBASSY NOR WESTINGHOUSE
HOWEVER, HAS OBTAINED INFORMATION ON TOTAL COST OF FRENCH FINANCING
PACKAGE OR WHAT IS COVERED.
SWEITZER

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